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'Yes' to Free Trade: Central American Pact Levels the Field

Author: Editorial

A year ago, passage of a Central American free-trade pact seemed a certainty.

President Bush hasn't wavered, but protectionist fervor in Congress and in Latin America makes the vote on the CAFTA-DR pact a litmus test on the administration's free-trade agenda.

U.S. trade officials crafted the treaty as a major step toward establishing Mr. Bush's vision of expanded free-trading zones through the hemisphere. If ratified by Congress in the next few months, CAFTA-DR would unite the Dominican Republic, Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica in a single trading bloc.

However, sugar lobbyists, textile industries, environmental groups and organized labor have assailed both the pact's environmental rules and the potential loss of U.S. jobs to foreign competition. Because of labor ties, few Democrats support the measure; some Republicans either are sitting on the fence or reverting to protectionist tendencies.

CAFTA-DR must pass. Central America and the Dominican Republic make up the second-largest U.S. export market in Latin America behind Mexico. The United States exports more than \$15 billion annually to the region, more than this country exports to Russia, India and Indonesia combined.

Under the new pact, U.S. farm exports would rise \$1.5 billion a year. Makers of information technology products, construction equipment, paper products, pharmaceuticals, and medical and scientific equipment also would benefit. Texas alone stands to gain 16,000 jobs and \$4.3 billion in additional economic activity over several years.

The pact does not eliminate U.S. jobs. Nearly 80 percent of goods from these countries already enter the U.S. duty-free, which means future trade is not likely to displace U.S. workers. In fact, CAFTA-DR levels the playing field the other way. U.S. goods to the region wouldn't face tariffs either. If it rejects CAFTA-DR, Congress will have dealt a major blow to free trade, a setback that will hurt standards of living here and abroad. Just as bad, the symbolism of a rejected trade pact will threaten other U.S. efforts to promote global economic reform.